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C O N F I D E N T I A L SECTION 01 OF 04 BRASILIA 000181

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SUBJECT: LULA FINALLY MAKES HIS BIG CABINET SHUFFLE

REF: A. 02 BRASILIA 3516

[1](#)B. 02 BRASILIA 3447

Classified By: POLOFF RICHARD REITER FOR REASONS 1.5 B AND D.

[1](#)1. (SBU) SUMMARY. Thirteen months into his term, Brazilian President Lula da Silva on January 23 announced his long-awaited first cabinet shuffle. The changes affect twelve of 35 cabinet posts and address all three of Lula's goals: bringing the PMDB party officially into the governing coalition, replacing weak performers and streamlining the social assistance portfolios, and improving the workflow in the Presidency. Key changes include bringing the coalition's floor leader in the Chamber of Deputies, Aldo Rebelo, into Lula's office as the newly-created Minister of Political Coordination --taking some weight off Chief-of-Staff Jose Dirceu; and creating a new unified Social Development Ministry headed by Federal Deputy Patrus Ananias (meaning Zero Hunger chief Jose Graziano and Social Assistance Minister Benedita da Silva will lose their jobs). The PMDB will get two ministries as it has long demanded --settling on Social Security and Communications. This shakeup should smooth the administration's ability to pass legislation and carry out the social assistance programs expected to be at the heart of the coming year's political agenda. (Full cabinet list is at paras 8-9.) END SUMMARY.

PMDB GETS COMMUNICATIONS AND SOCIAL SECURITY

[1](#)2. (SBU) The wait is over (ref A). President Lula announced his cabinet shuffle on January 23, thirteen months into his administration --the longest any modern Brazilian administration has gone without cabinet changes. The first goal was to cement the large centrist PMDB party in the governing coalition. The PMDB has been an ally of Lula's Workers' Party (PT) since May, and it has clamored for cabinet slots to reflect its size (78 Deputies and 23 Senators). Weeks of painfully public negotiations yielded up two ministries. PMDB Federal Deputy Eunicio Oliveira from Ceara will take over the Communications Ministry, while Senator Amir Lando of Rondonia will become Minister of Social Security. Social Security is a big-budget portfolio, but with most of the money earmarked there is little room for creativity --no doubt what Lula had in mind. The heavy lifting on passing pension reforms has already been done, so Lando's role will be to implement the changes. In addition, the PMDB will also get to name the head of the Postal Service.

SOCIAL PORTFOLIOS STREAMLINED

[1](#)3. (C) The second goal was to weed out underperformers and streamline the social portfolios. After spending 2003 focused on fiscal austerity and reforms, Lula is now expected to turn his attention to education, employment, and poverty alleviation. To that end, longtime Lula friends Jose Graziano (Minister of Food Security and head of the "Zero Hunger" program) and Benedita da Silva (Minister of Social Assistance) --both of whom have been criticized for weak performances and assorted gaffes-- will lose their jobs. Federal Deputy Patrus Ananias, a PT stalwart and former mayor of Belo Horizonte (Brazil's third largest city) will head the new Ministry of Social Development that will merge the portfolios of Benedita and Graziano as well as programs consolidated under the Presidency in October (ref B). A PT Deputy commented approvingly to us that Ananias is well-respected, low key, and has executive experience. The Deputy also noted that Lula feels personally committed to both Graziano and Benedita, and that Graziano is mulling an offer to remain as an "advisor" while Benedita, a PT icon, may go back and run for the Rio city council in October's elections.

ALDO REBELO MOVES TO THE EXECUTIVE BRANCH

[1](#)4. (C) Federal Deputy Aldo Rebelo (PCdoB-Sao Paulo) will move into Lula's office, relieving Chief-of-Staff Jose Dirceu of some of his duties. Rebelo will get cabinet rank as "Secretary of Political Coordination and Institutional Affairs", with responsibility to coordinate the administration's projects with Congress, governors, mayors, and the judiciary. The overworked Dirceu is unlikely to lose real authority, though he will be freed to focus on internal administration affairs. Rebelo, a leading moderate in the

Communist Party of Brazil in his fourth Congressional term, is widely-praised for his consensus-building over the past year as the coalition's floor leader. The leading candidate to take over that post is Miro Teixeira, who was forced out as Minister of Communications because his PDT party pulled out of Lula's coalition last month. Teixeira will take up the Chamber seat (from Rio de Janeiro) to which he was elected in 2002. Teixeira has now left the PDT to sign on with the PT, and in his January 23 announcement, Lula endorsed him for coalition floor leader.

DOMINOS FALL AT LABOR, CDES, EDUCATION, AND SCIENCE

15. (SBU) The fact of PMDB Senator Amir Lando's replacing Ricardo Berzoini at Social Security created a domino effect, as Lula was intent on keeping Berzoini in the cabinet. As a result, Berzoini will replace Jaques Wagner as Minister of Labor, Wagner will replace Tarso Genro as head of the Council for Economic and Social Development (a public-private talk shop attached to the Presidency), and Tarso Genro moves to the Ministry of Education, replacing Cristovam Buarque, one of the "academics" who lost Lula's confidence. (Lula was quoted saying he wants fewer "academics writing theses" and more concrete results in the coming year.)

16. (C) Another unhappy minister will be replaced at Science and Technology, as Federal Deputy Eduardo Campos replaces Roberto Amaral. In addition to his weak performance and verbal gaffes, Amaral was linked to a faction of the PSB party that recently lost an internal power struggle. Campos, 38, grandson of the party's founder, legendary leftist Miguel Arraes, was on the winning side and so gets the party's cabinet post. (One unimpressed PT politician told us Campos is a "professional grandson" who has accomplished little in his nine years in Congress.) Finally, Nilceia Freire, Rector of the State University of Rio de Janeiro and best-known for introducing minority admissions quotas there, takes over from Emilia Fernandes as Secretary for Women's Affairs, the smallest-budget post in the cabinet.

COMMENT

17. (C) There is palpable relief that the shuffle is done. The process has been grindingly slow and emotionally taxing for Lula, who felt great anguish at having to give longtime colleagues the axe. Over the past five months, the constant begging from the PMDB and the unhappy existences of lame-duck Ministers had become major distractions. In the end, Lula addressed his obvious needs, and (aside from the odd four-ministry domino effect designed to keep Ricardo Berzoini in the cabinet) much of the public speculation was borne out. Lula keeps intact his well-regarded economic team as well as his closest group of advisers (the so-called "hard core" of Dirceu, Gushiken, Dulci, and Palocci). With three leading Deputies and a Senator moving from Congress to the cabinet, there will also be repercussions in the congressional and party leaderships. Overall, the cabinet shakeup is promising. Satisfying the PMDB (and bringing Aldo Rebelo onto Lula's staff) should ease the government's ability to pass legislation, while unifying the social affairs portfolios recognizes the need for a single point of contact as Lula turns his attention to the country's poor and unemployed.

LULA'S NEW CABINET

18. (SBU) The twelve Minister-rank officials attached to the presidential Planalto Palace, with party affiliation and state of origin. "p" signifies a non-party professional appointment.

Planalto Ministers affected by the shuffle:

- Minister-Chief of the Civilian Household (Chief of Staff), Jose Dirceu (PT-Sao Paulo). Will off-load some duties to Aldo Rebelo.
- Secretary of Political Coordination and Institutional Affairs, Aldo Rebelo (PCdoB-Sao Paulo). Newly-created portfolio to coordinate administration policies with Congress, governors, mayors, and the judiciary.
- Secretary for Economic and Social Development, Jaques Wagner (PT-Bahia), the outgoing Labor Minister, replaces Tarso Genro, who moves to Education.
- Secretary for Women's Affairs, Nilceia Freire (PT-Rio) replaces Emilia Fernandes.

Planalto Ministers unaffected by the shuffle:

- Secretary General, Luiz Dulci (PT-Minas Gerais)
- Communications Secretary, Luiz Gushiken (PT-Sao Paulo)
- Institutional Security, Gen. Jorge Armando Felix (p-Rio)
- Inspector General, Waldir Pires (PT-Bahia)
- Secretary for Fishing, Jose Fritsch (PT-Santa Catarina)
- Secretary for Human Rights, Nilmario Miranda (PT-Minas Gerais)

- Secretary for Racial Equality, Matilde Ribeiro (PT-Sao Paulo)
- Solicitor General, Alvaro Ribeiro Costa (p-Ceara)

Extraordinary Secretary for Food Security, Jose Graziano (PT-Sao Paulo) will lose his job. His office will be folded into the new line Ministry of Social Development.

LINE MINISTRIES:

9. (SBU) Of the 23 line ministries, six will get new ministers:

- Minister of Communications, Eunicio Oliveira (PMDB-Ceara) replaces Miro Teixeira, who goes to the Federal Chamber of Deputies.
- Minister of Education, Tarso Genro (PT-Rio Grande do Sul) replaces Cristovam Buarque, who goes to the Senate.
- Minister of Labor, Ricardo Berzoini (PT-Rio Grande do Sul), replaces Jaques Wagner who becomes Secretary for Economic and Social Development in the Planalto.
- Minister of Science and Technology, Eduardo Campos (PSB-Pernambuco) replaces Roberto Amaral.
- Minister of Social Development, Patrus Ananias (PT-Minas Gerais). Newly-created portfolio will merge several existing social programs, including those run by outgoing Ministers Jose Graziano and Benedita da Silva.
- Minister of Social Security, Amir Lando (PMDB-Rondonia) replace Ricardo Berzoini, who moves to Labor.

Seventeen of 23 line ministers will remain in place:

- Minister of Agrarian Development, Miguel Rossetto (PT-Rio Grande do Sul)
- Minister of Agriculture, Roberto Rodrigues (PP-Sao Paulo)
- Minister of Cities, Olivio Dutra (PT-Rio Grande do Sul)
- Minister of Culture, Gilberto Gil (PV-Bahia)
- Minister of Defense, Jose Viegas (p-Mato Grosso do Sul)
- Minister of Development, Industry and Trade, Luis Furlan (p-Sao Paulo)
- Minister of Environment, Marina Silva (PT-Acre)
- Minister of Finance, Antonio Palocci (PT-Sao Paulo)
- Minister of Foreign Affairs, Celso Amorim (p-Sao Paulo)
- Minister of Health, Humberto Costa (PT-Pernambuco)
- Minister of Justice, Marcio Thomaz Bastos (PT-Sao Paulo).
- Minister of Mines and Energy, Dilma Rousseff (PT-Rio Grande do Sul)
- Minister of National Integration, Ciro Gomes (PPS-Ceara)
- Minister of Planning, Guido Mantega (PT-Sao Paulo)
- Minister of Sports, Agnelo Queiroz (PCdoB-Brasilia)
- Minister of Tourism, Walfrido Mares Guia (PTB-Minas Gerais)
- Minister of Transportation Anderson Adauto (PL-Minas Gerais). Adauto is a poor performer dogged by old allegations of corruption. He may resign in April to run for mayor of his hometown in the October elections.

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